

Comments on the EIM Governance Review Committee

Scoping Document

Submitted by	Organization	Date of Submission
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SCE acknowledges the various issues presented within the Scoping Document released by the EIM Governance Review Committee (GRC) on January 29, 2020.

SCE offers comments in relation to the following broad categories:

- Decisional classification and delegation of authority
- Processing and Selection Criteria for EIM Governing Body members
- Stakeholder engagement
- Potential expanded involvement of the EIM Governing Body

Decisional Classification and Delegation of Authority

On March 20, 2019 amendments were approved for the EIM Charter and the *Guidance for Handling Policy Initiatives within the Decisional Authority of Advisory Role of the EIM Governing Body*. The redlined version of the Charter for Energy Imbalance Market (EIM) Governance accompanying that memo states:

Through the ISO bylaws, the Board of Governors has delegated certain authority to the EIM Governing Body to approve or reject proposed amendments to the Tariff. The Board has also authorized the EIM Governing Body to provide it with advisory input on certain other market rules, as follows:

- “Primary authority”: The EIM Governing Body will have primary authority to approve or reject a proposed change to a market rule if either:
 - the market rule is EIM-specific insofar as it applies uniquely to EIM balancing authority areas, or differently to EIM balancing authority areas than to other areas within the ISO’s real-time market, or
 - the market rule is generally applicable to the entire real-time market and an issue that is specific to the EIM balancing authority areas is the primary driver for the proposed change.
- “Advisory authority”: The EIM Governing Body will have advisory authority over any other rules that govern participation in the ISO’s entire real-time market, including rules that specifically govern the real-time market or rules that generally apply to any participation in ISO markets.

Given the quote provided, SCE recommends the development of objective and transparent criteria for incorporation into either the EIM Charter or the *Guidance for Handling Policy Initiatives within the Decisional Authority of Advisory Role of the EIM Governing Body*, or both for determination of the decisional classification and delegation of authority to the EIM Governing Body (GB) by the Board of

Governors. The current “but for” principles as applied to the decisional classification provide insufficient guidance for expansion of the day-ahead market to the EIM footprint.

SCE concurs that continued stakeholder input on the preliminary determination of all decisional classifications be retained as currently practiced. That is, should any challenges arise in relation to the decisional classification of an initiative, SCE supports the Board of Governors retaining ultimate dispute resolution authority in the matter.

SCE offers support for the potential of joint-decision-making by the Board of Governors and the EIM GB should states, where the EIM footprint exists, develop their greenhouse gas (GHG) regulations such that integration into the CAISO market is required. Initiatives that are identified and added to the policy road map for market and policy development by the CAISO in support of the integration of state GHG regulations certainly is an area where joint decision-making may become necessary.

Process and Selection Criteria for Selecting Governing Body Members

The current nomination and selection process for members of the Board of State Regulators (BOSR) work well. SCE offers its continued support. Further, the identification of candidate qualifications consistent with the skills gap that may exist or arise with the departure of vacating members while being aware of the subject matters on the horizon for policy and market development is certainly a credible approach to the shortlisting of candidates. SCE supports this outlook of the Nominating Committee.

SCE remains unclear whether geographic diversity is limited to the Western region or is more broadly defined. SCE prefers candidates who are intimately familiar with the Western region and have had some work experience in the region.

Expansion of the candidate pool to include candidates with deep technical experience and less leadership experience to improve the quality of knowledge transfer among the EIM stakeholders including the BOSR and RIF is worthy of consideration should a knowledge gap exist among members appointed to the EIM GB.

SCE offers an alternative to the 60-day holdover period for an imminent expiring term on the EIM GB. Commencement of the search process sooner rather than at the end of the expired term should be considered. Further, the number of members appointed to the EIM GB seems appropriate in terms of avoiding ties within the voting process. It forces members of the nominating committee as well as the search firm to carefully review potential candidates for shortlisting. Candidates with demonstrated broader work experience or exposure to different business models represented in the western region should be emphasized. The focus of years of leadership experience with limited knowledge of markets and limited work experience only within a single business model bears no resemblance of the EIM membership. Also, SCE supports the term length governing the service period of members of the EIM GB.

Stakeholder Engagement

SCE is sympathetic to the concerns raised within the Scoping Document in relation stakeholder engagement though SCE recognizes that many of the representations derive from the unique market arrangement that exists in the Western region and the relatively small size of many entities that are either current members or others who are contemplating EIM membership . Attempts to transplant artifices in other organized markets require due caution rather than application of a cherry-picking exercise to governance given the unique design at hand, and in light of existing CAISO practices. Despite these representations, SCE offers comments in relation the Regional Issues Forum (RIF), BOSR and the role of public power and federal power marketing agencies.

Regional Issues Forum

SCE offers no support for conversion of the RIF into a stakeholder advisory committee with voting rights. If the RIF seeks an advisory role that role should be limited to the EIM GB without accreditation of any voting rights.

The EIM GB general session meetings provide opportunity for the RIF to present its informational report which can be expanded to reflect any concerns among EIM stakeholders. Members of the EIM GB are certainly free to ask questions at those meetings and stakeholders can attend those public sessions while bringing any issues to the forefront.

Further, the CAISO conducts a stakeholder process within which stakeholders have ample opportunity to participate in conjunction with other public meetings held by the Board of Governors and EIM GB and at the RIF.

Typically, the formation of such committees within other RTOs/ISOs requires membership in the market which EIM entities do not have in the CAISO market. Also, there is no equivalent for the RIF in any other RTO/ISO governance arrangement in any of the other markets. The market participants committee in New England holds some similarity and has no advisory role to the board.

Board of State Regulators

While SCE is sympathetic to the representation of deeper involvement by BOSR members in CAISO initiatives such as the EDAM and the lack of technical capability to support such an expectation, SCE is unsupportive of funding a technical expert to support such participation. The regulatory principles of cost causation and beneficiary pays should apply. SCE wishes clarification on whether the grid management charge levied by the CAISO currently covers any financial assistance to the BOSR.

The BOSR represents ratepayers who are subject to state regulation for which the activity of state regulators should be a cost to the state utility commission and such costs should be reflected in the bills that ratepayers are issued consistent with the desire to achieve just and reasonable rates. This condition applies whether EDAM materializes in the CAISO market.

However, while SCE does not support the CAISO providing funding, SCE reiterates that if funding for a technical expert is approved then the principle of cost causation as well as the beneficiary pays principle should apply. SCE is unresponsive of funding this request.

Role of Public Power and Federal Marketing Agencies

SCE supports the idea of a representative for public power and federal marketing entities within a reformed BOSR due to the difference in regulatory authority for such entities. SCE is unable to support the formation of another body for the public power entities and the federal marketing agencies. Further SCE is not amenable to funding an additional representative and does not support the cost for another committee.

Potential Additional Involvement of the EIM Governing Body

Although SCE welcomes interest in an oversight role of the Department of Market Monitoring (DMM) and participation in the Market Surveillance Oversight Committee (MSOC) by the EIM GB, SCE's preference is for members of the EIM GB to enjoy similar consultative privileges as the members of the Board of Governors in relation to the DMM and the Market Surveillance Committee (MSC).

SCE is unable to support the granting of reporting authority whereby the DMM reports to the EIM GB as it does to the Board of Governors, currently. The DMM is independent of the CAISO and has reporting authority to the FERC and Board of Governors for which any change to such reporting arrangements requires the incorporation of a decision-making entity that represents non-members of the CAISO market to be given jurisdictional powers within the FERC tariff that governs the CAISO. The EIM GB is not subject to the CAISO's FERC tariff and therefore should be ineligible for oversight of the DMM nor the MSC.

SCE is supportive of the EIM GB's participation in the selection process of members of the MSC though SCE cannot support the suggestion for a technical expert identified by the EIM GB to fulfil an independent role external to the MSC.

SCE remains open to a role for the EIM GB in the development and approval of the annual policy roadmap, provided that this role expires if the EIM and/or EDAM no longer exists.

Guiding Principles

SCE offers no comment at this time whether the GRC should modify or supplement the guiding principles used for the Transitional Committee. Instead SCE encourages adoption of the existing principles by the GRC and reserves the right to comment should changes occur.